



STATE OF NEW YORK
EXECUTIVE CHAMBER
ALBANY 12224

GEORGE E. PATAKI
GOVERNOR

June 20, 1997

Dear Congressman Cox:

The Internet and Internet access services should be free from new or discriminatory forms of taxation that would hinder this growing industry and the jobs it provides. The Internet Tax Freedom Act, H.R. 1054/S.442 with certain technical revisions, could be a good bill to achieve that goal.

Here in New York State, I have already implemented the goals of this legislation. Under my direction, effective February 1, 1997, the State Tax Department established that Internet access services are not subject to either the sales tax and that Internet access services are not telecommunications, thus not subject to the telecommunications excise tax. However, we recognize that in order for the New Media industry and the use of the Internet to continue to expand and thrive, New York's efforts alone are not enough. There must be a national effort to protect the Internet from a myriad of new taxes and reporting requirements that would hurt the development of the whole industry and the jobs that go with it.

Ordinarily such taxes would be within the jurisdiction of the states. Since the Internet does not respect traditional geographic borders, Congressional action that would have a beneficial effect on the development of on-line commerce in both New York State and the nation is justified and desirable.

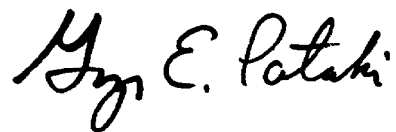
While New York favors no new taxes on the Internet itself or on the provision of Internet services, we have, however, a number of technical concerns with the bill. Specifically, there is a need for greater clarity in certain areas of the legislation, including terminology and definitions, which could inadvertently broaden the impact of the bill. I believe that these technical matters could easily be resolved and I will have my Washington Office contact your staff to discuss the State's concerns.

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New York State has been at the forefront in setting new pro-growth tax policies regarding the Internet. We look forward to working with you in your efforts to achieve the same benefits at the federal level.

Very truly yours,

A handwritten signature in black ink, reading "Gov. E. Pataki". The signature is written in a cursive, flowing style.

The Honorable Christopher Cox
U.S. House of Representatives
Washington, DC 20515

cc. Chairman John McCain
Senator Ron Wyden